anheuser-busch, incorporated

BUDWEISER. malt liquor

BUSCH. BAVARIAN BEER

MICHELOB. BEER

Budweiser. LAGER BEER

1972 annual report

OFFICERS

AUGUST A. BUSCH, JR.
Chairman of the Board
and Chief Executive Officer

R. A. MEYER
President

AUGUST A. BUSCH III
Executive Vice President
and General Manager

FRANK H. SCHWAIGER
Senior Vice President—Brewing

HENRY N. McCLUNEY
Vice President—Operations

FRANK J. SELLINGER
Vice President—Engineering

JOHN H. PAHLMANN
Vice President

ORION P. BURKHARDT
Vice President—Marketing, Brewery Division

MELVIN H. FRITZ
Vice President—Purchasing

FRED L. KUHLMANN
Vice President and General Counsel

DENNIS P. LONG
Vice President

WALTER C. REISINGER
Vice President—Customer Relations

THOMAS R. SCANLAN, JR.
Vice President—Industrial Products Division

ANDREW J. STEINHUBL
Vice President—Brewing Operations

JERRY E. RITTER, *Controller*

JOHN L. HAYWARD, *Secretary and Treasurer*

THOMAS J. CARROLL, *Assistant Secretary*

DONALD S. McDONALD, *Assistant Secretary*

R. A. RAWIZZA, *Assistant Controller*

ROY LANPHERE, *Assistant Treasurer*

H. F. SUELLENTROP, *Assistant Treasurer*

DIRECTORS

AUGUST A. BUSCH, JR.
Chairman of the Board
and Chief Executive Officer
Anheuser-Busch, Incorporated

AUGUST A. BUSCH III
Executive Vice President
and General Manager
Anheuser-Busch, Incorporated

DAVID R. CALHOUN, JR.
Chairman of the Board
St. Louis Union Trust Company

M. R. CHAMBERS
Chairman of the Board
and Chief Executive Officer
Interco Incorporated

JOHN F. KREY II
Chairman of the Board and President
Krey Packing Company

J. W. McAFEE
Chairman of the Board
Union Electric Company

R. A. MEYER
President
Anheuser-Busch, Incorporated

JAMES B. ORTHWEIN
President
D'Arcy-MacManus & Masius, Incorporated

FREDERIC M. PEIRCE
Chairman of the Board
General American Life Insurance Company

W. R. PERSONS
Chairman of the Board
and Chief Executive Officer
Emerson Electric Co.

WALTER C. REISINGER
Vice President
Anheuser-Busch, Incorporated

FRANK H. SCHWAIGER
Senior Vice President—Brewing
Anheuser-Busch, Incorporated

ETHAN A. H. SHEPLEY
Of Counsel to Bryan, Cave,
McPheeters & McRoberts
Attorneys at Law

A. VON GONTARD
Vice Chairman of the Board
Anheuser-Busch, Incorporated

JOHN L. WILSON
Chairman of Finance Committee
Anheuser-Busch, Incorporated

ST. LOUIS TRANSFER AGENT:
ST. LOUIS UNION TRUST COMPANY
510 Locust Street, St. Louis, Missouri 63101

ST. LOUIS REGISTRAR:
MERCANTILE TRUST COMPANY
NATIONAL ASSOCIATION
721 Locust Street, St. Louis, Missouri 63101

NEW YORK TRANSFER AGENT:
CHEMICAL BANK
20 Pine Street, New York, New York 10015

NEW YORK REGISTRAR:
MORGAN GUARANTY TRUST
COMPANY OF NEW YORK
30 West Broadway, New York, New York 10015

BREWERIES:
ST. LOUIS, NEWARK, LOS ANGELES, TAMPA,
HOUSTON, COLUMBUS, JACKSONVILLE,
MERRIMACK and WILLIAMSBURG

CORN REFINING PLANT:
LAFAYETTE, INDIANA

YEAST PLANTS:
ST. LOUIS and OLD BRIDGE, NEW JERSEY

1972 annual report to shareholders of anheuser-busch, inc.

721 Pestalozzi Street
St. Louis, Missouri 63118

the annual meeting

of shareholders of the Company will be held on Wednesday, April 25, 1973, at 10:00 a.m., St. Louis time. A notice of that meeting and proxies on behalf of the management will be sent to the shareholders on or about March 19, 1973.

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the year at a glance

YEAR ENDED DECEMBER 31	1972	1971
Barrels of beer sold	**26,521,872**	24,308,794
Net sales	**$977,500,000**	$902,453,000
All taxes	**382,759,000**	354,358,000
Per share	**8.50**	7.89
Income before extraordinary item	**76,400,000**	71,638,000
Per share	**1.70**	1.60
Extraordinary item	**4,093,000**	—
Per share	**.09**	—
Net income	**72,307,000**	71,638,000
Per share	**1.61**	1.60
Cash dividends	**26,109,000**	23,784,000
Per share	**.58**	.53
Capital expenditures	**84,217,000**	73,214,000
Depreciation	**38,970,000**	34,948,000

FINANCIAL CONDITION AT DECEMBER 31		
Working capital	**$ 84,730,000**	$ 87,662,000
Plant and equipment, net	**491,671,000**	453,647,000
Long-term debt	**99,107,000**	116,571,000
Shareholders equity	**461,980,000**	413,974,000
Per share	**10.25**	9.20
Number of employees	**11,589**	11,403
Number of shareholders	**29,446**	27,539

to the shareholders of anheuser-busch, incorporated:

In 1972 Anheuser-Busch achieved record sales and earnings for the ninth consecutive year.

Sales for 1972 reached $977,500,000, an increase of 8% over sales of $902,453,000 last year.

Income for 1972, before the extraordinary item mentioned below, was $76,400,000, or $1.70 per share, an increase of 6% over our net income in 1971 of $71,638,000, or $1.60 per share. The Company's earnings per share, adjusted for stock splits and stock dividends, have increased from $.36 per share ten years ago to the $1.70 per share earned in 1972.

Our unprofitable Houston Busch Gardens were converted into a sales promotion facility at the end of December, and a portion of the Gardens was closed. In the future the remaining facility will be available to visitors at our Houston brewery without charge. The closing of a portion of the Gardens resulted in an extraordinary charge against 1972 earnings of $4,093,000, or $.09 per share. After absorbing this loss, 1972 net income was $72,307,000, or $1.61 per share.

February 8, 1973

Competition in the brewing industry during 1972 was exceptionally keen, and we do not expect competitive pressures to decline in the foreseeable future.

As you listen to competitive advertising, you notice that many claim product quality. We at Anheuser-Busch remain committed to it. By and large, the American consumer is too sophisticated to be taken in by just a claim of quality. He knows that quality is more than advertising, that it can be measured in points of difference between products, and that these points of difference can usually be traced to better materials and superior processing.

To insure product quality, we continue to brew our beers with natural hops, and we brew Budweiser and Michelob with rice, while most of our competitors are using the less expensive hop extract and corn syrup or grits. We continue to use the natural fermentation and carbonation process which takes more than twice as long as the manufacturing process used by most of our competitors. Our beers are the standard of quality in the brewing industry, and this insistence on quality has been supported by consumer acceptance. We are prepared to meet competition head-on in the marketplace, and we are convinced that product quality will determine the winner. As a result, we expect our sales and earnings leadership and growth to continue.

During 1972 we incurred significant cost increases for materials used in our production process, but the Company has raised no prices since the "freeze" period began in August, 1971. We have adhered to both the letter and the spirit of President Nixon's Economic Stabilization Program regulations and intend to continue to do so as Phase III goes into effect.

The majority of our labor contracts expire between now and mid-summer, and negotiations are in progress. While we cannot predict with certainty the outcome of these negotiations, we have approached them with every confidence that we will be able to harmonize our position with that of labor and accomplish labor peace and stability.

In April, 1972, the Company expanded its business activity with the acquisition of an aerosol can facility, Apache Container Corporation of St. Paul, Minn.

We were saddened by the death of George W. Couch, Jr., our vice president of beer marketing, on January 23, 1973. Mr. Couch had been with the Company, in various beer marketing positions, since 1952.

I want to thank all of our officers and employees, as well as the many wholesalers and retailers who handle our products, for their contribution to our success in 1972.

We extend to our shareholders our sincere appreciation for their continued confidence and support. Let me assure you that we will do our best to continue to earn this confidence and support in 1973 and future years.

Sincerely,

August A. Busch, Jr.

August A. Busch, Jr.
Chairman of the Board
and Chief Executive Officer

review of the year

Beer Division

Beer sales in 1972 amounted to 26,521,872 barrels, an increase of more than 9% over the 24,308,794 barrels sold in 1971 and marking the sixteenth consecutive year that Anheuser-Busch, Inc., was the industry leader in barrels of beer sold. The Company's share of the brewing industry sales volume was approximately 20% in 1972 compared with 19% in 1971, and we increased the lead over our nearest competitor to 7,616,000 barrels.

Net sales of the Beer Division were $902,678,000 compared with $832,183,000 in 1971, and represented approximately 92% of total consolidated net sales in 1972.

In order to meet the continued consumer demand for Budweiser, Michelob, Busch and Budweiser Malt Liquor, Anheuser-Busch continued its program of constructing new and expanded breweries during 1972. Beer was first shipped from our ninth plant in Williamsburg, Va., in February, 1972, and construction is progressing well on the 2.5-million-barrel expansion of our Columbus, Ohio, brewery. It is expected that this additional capacity will be available by mid-summer. In March, 1972, we announced the beginning of a 2.5-million-barrel expansion at our Jacksonville, Fla., plant, to be completed sometime in 1974, and we purchased land in Solano County, Calif. (about 40 miles northeast of San Francisco), in October. This land, near Fairfield, Calif., will be the site of a new brewery to be completed in late 1975 or early 1976 with an annual shipping capacity of approximately 2.5 million barrels.

The total annual shipping capacity of our nine breweries in 1973 will be approximately 29.5 million barrels. With the expansions currently underway and the completion of our new brewery in Fairfield, Calif., it is anticipated that by the end of 1975 we will have increased our total annual shipping capacity to approximately 35 million barrels.

During 1972 the Company introduced Budweiser Malt Liquor into several additional markets, and 1973 plans call for continued market area

The Company's beer products are available in a variety of packages and have won wide acceptance from consumers of varying ages and broad cultural backgrounds. The A & Eagle design, Budweiser, Bud, Michelob and Busch are registered trademarks of ANHEUSER-BUSCH, INC.

expansion for our new malt beverage along with the introduction of our popular-priced Busch brand in several new markets.

Over four million people visit our brewery facilities each year, and hospitality houses are presently under construction at Merrimack, N.H., and Williamsburg, Va., our two newest plants. A new attraction at Merrimack, the Busch Clydesdale Hamlet, is scheduled for completion in June, 1973, and will be the permanent home of a new working team of Clydesdales. Completion of the Williamsburg Hospitality House is scheduled for the fall of 1973 and will mark the beginning of that plant's public

The wide variety of products from the Industrial Products Division is utilized by manufacturers of products ranging from canned peaches, to bread and cake, to candy, confections and ice cream.

tours. In addition, the conversion of our Houston Gardens into a sales promotion facility will accommodate the many visitors to our Texas plant.

Industrial Products Division

Volume sales of the Industrial Products Division's various products in 1972 were 12% higher than in 1971. Dollar sales, however, rose only 1% because of industry pricing pressures. Profits from the Industrial Products Division in 1972 were about the same as the amount earned in 1971.

This division is a major supplier to the baking industry of quality bakers yeast, liquid sweeteners, frozen and dried eggs, and other associated products. In addition, the division provides corn syrup and starch for numerous food applications including the processing of canned and frozen foods and the manufacture of ice cream and candy. The division also produces corn starch and markets dextrines and resins used in the manufacture of paper, corrugated containers, and textiles.

Bakers yeast is the fastest growing product in the Industrial Products Division. A study is currently underway on the possibility of expanding our yeast production capacity to supply the increasing demand for this quality product as well as to enter

new markets. In connection with this study, we have optioned eight acres of land in Bakersfield, Calif., as a possible site for a new bakers yeast plant. Completion of this plant would enable us to expand our bakers yeast distribution to include the West Coast. At present we operate bakers yeast plants at St. Louis, Mo., and Old Bridge, N.J., and are the largest supplier of bakers yeast east of the Rockies.

Busch Gardens

A major expansion of our Busch Gardens in Los Angeles was completed in 1972, and we continued to provide new attractions at our Busch

The map on this page outlines the property the Company owns at Williamsburg, Virginia, which totals about 3600 acres. While preparation for profitable utilization of the property continues, the archaeological aspects of this historic area are being preserved. About 200 yards inland from the James River, the foundation of an early plantation home was discovered. In its brick-lined storage vault, used either as a wine cooler or for dairy products storage, wine bottles dating back to 1730-40 were found. Shown above is a seal from one of the bottles which reflects the Bray family name. The Bray occupation ended by 1744 after which the lands could have been combined with nearby Kingsmill Plantation, owned by Colonel Lewis Burwell.

Gardens in Tampa. We enjoyed a record number of visitors at both of these family entertainment facilities last year.

In December we took steps to effect the conversion of our Houston Busch Gardens into a sales promotion facility. The many visitors to our Texas brewery will now be able to enjoy these facilities free of charge.

The Houston Gardens had been unprofitable since their opening, and since we could not foresee any improvement in this situation we chose to close a portion of the Gardens and convert the remainder of the facility to a hospitality area for visitors to our Houston brewery. By doing this, we incurred an extraordinary charge in 1972 of $4,093,000, or $.09 per share. As a result of this conversion, however, the Company's family entertainment division will be profitable, and we anticipate continued growth and profitability.

Busch Properties, Inc.

Busch Properties, Inc., Anheuser-Busch's wholly owned real estate development subsidiary, expanded its development activities in 1972. Busch Corporate Center, the firm's business

park in Columbus, Ohio, currently has fifteen tenants. Four new buildings are under construction at the Center, two by Busch Properties and two by other companies.

Busch Travel Park, the firm's recreational vehicle park opposite the Tampa Busch Gardens, will open in April of this year to serve the traveling public.

The master plan for Kingsmill, the Company's 3600-acre planned community near Williamsburg, Va., is complete. An 18-hole championship golf course designed by the famed golf course architect Pete Dye is under construction, and additional recreational facilities are being designed. An extensive archaeological survey undertaken this summer by the Virginia Historic Landmarks Commission under a grant from Busch Properties has disclosed exciting 17th and 18th century artifacts and ruins which will be preserved and carefully integrated into the development. Homesites at Kingsmill will be offered for sale later this year, and a variety of town houses will be available in the spring of 1974. A 200-room resort hotel-conference center and an additional 250-room hotel are scheduled to open by 1976.

Apache Container Corporation

In April, 1972, Apache Container Corporation of St. Paul, Minn., was acquired for approximately $6.5 million in cash. Apache Container was organized in 1969 to develop and perfect technology for the production of seamless aluminum and tinplate aerosol containers by the drawn and ironed process. This technology has now been perfected but, as with any new technology, improvements are continually being made. We expect this subsidiary to reach a profitable level of operations in the near future.

Lianco Container Corporation

Lianco Container Corporation, which is jointly owner by Anheuser-Busch (60%) and Libby, McNeill & Libby (40%), is located in St. Louis County, Mo., and manufactures beer cans and lids for our St. Louis brewery. Lianco, which is profitable, recently completed a 50% expansion of its production facilities in order to increase its already significant contribution to our can and lid requirements.

Manufacturers Railway Co. & St. Louis Refrigerator Car Co.

Operations of Manufacturers Railway and St. Louis Refrigerator Car, our subsidiaries which provide railroad, truck cartage and warehousing services at some of our breweries, continued to be profitable in 1972.

St. Louis Cardinals

The baseball Cardinals finished a disappointing fourth place in the Eastern Division of the National League during the strike-shortened 1972 season. The team has embarked on a rebuilding program with emphasis on youth in its continuing effort to provide its fans with exciting, entertaining and winning baseball.

In 1972 the Cardinals sustained a loss of $601,000. The Consolidated Statement of Income and Retained Earnings on page 20 of this report shows the Cardinals loss as $292,000 which is net of the consolidated tax benefit of $309,000.

Ted Simmons, youthful catcher for the St. Louis Cardinals, also made a reputation for his hitting ability.

Pitch In!

Ecology

Anheuser-Busch, Inc., shares with all thoughtful citizens a concern for our environment. In each of our plants we install and use the most modern and effective available technology to insure that our production processes contribute to environmental quality and community aesthetics.

One example of this is our experimental application of a submerged combustion system which allows the brewery to recover grain nutrients, formerly sewered, for productive use as animal feed. The potential contribution of this technology to environmental quality has won a developmental grant from the Environmental Protection Agency.

The Company continues to work closely with the United States Brewers Association to solve the litter and solid waste problem. In 1972 all our plant cities conducted effective, community-wide "Pitch In" campaigns in support of the industry's nationally advertised "Pitch In" program. These plant city campaigns, and a widely distributed movie about "Pitch In," inspired similar local programs from coast to coast. Based on the success of "Pitch In," the program will be continued with strong media support throughout 1973.

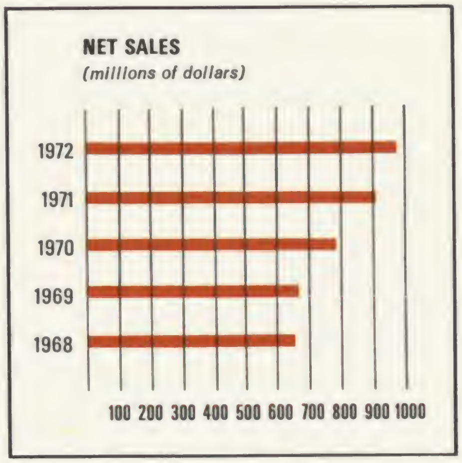
Reclamation continues to be a viable part of the Anheuser-Busch, Inc., ecological programming. By the end of 1972 our wholesalers and beer branches had collected in excess of 310 million beverage containers for recycling. The trend is growing.

On the complex problem of solid waste and resource conservation, the National Center for Resource Recovery, Inc., announced in December that negotiations had been completed between itself, government agencies and private enterprise to make New Orleans, La., the first major city to institute planned total reclamation of refuse.

Management Changes

Dennis P. Long was appointed Vice President with responsibility for Busch Gardens and Industrial Products effective July 1, 1972, and Orion P. Burkhardt was appointed Vice President—Marketing, Brewery Division, effective February 6, 1973.

financial review of the year



Sales and Earnings

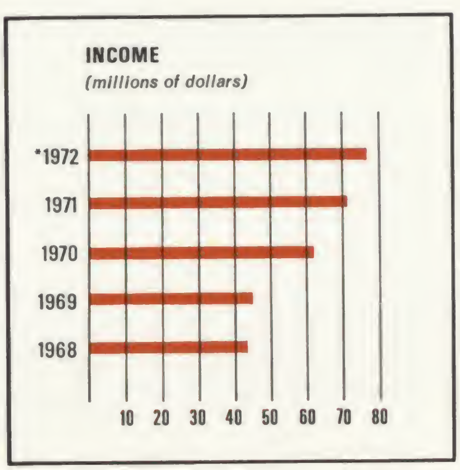
Sales and earnings for 1972 were at an all-time high. The following condensed summary compares 1972 with 1971.

	In Thousands		
	1972	1971	Change
Barrels sold (all beers)	26,522	24,309	2,213
Net sales	$977,500	$902,453	$75,047
Cost of doing business	830,613	766,403	64,210
Income before taxes	146,887	136,050	10,837
Tax provision	70,487	64,412	6,075
Income before extraordinary item	76,400	71,638	4,762
Per share	1.70	1.60	.10
Extraordinary item	4,093	—	4,093
Per share	.09	—	.09
Net income	72,307	71,638	669
Per share	1.61	1.60	.01

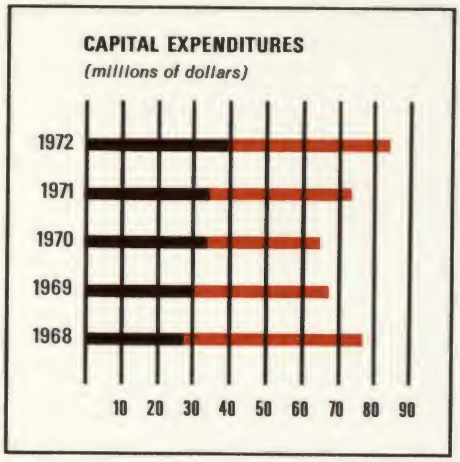
The 1972 income of $76,400,000, or $1.70 per share before the extraordinary item, reflects an increase of 6% over results for 1971. This earnings gain was achieved in spite of our inability to raise prices under Phase II while, at the same time, we were incurring substantial cost increases for production materials.

Based on 1972 income before the extraordinary item, the five-year compounded growth rate in our earnings per share was 16%. The return on average shareholders' equity for 1972 was 17%, and the ratio of earnings to net sales was approximately 8% in 1972 and 1971.

The extraordinary item of $4,093,000, or $.09 per share, is a one-time charge against earnings covering the cost associated with the closing of a portion of our Houston Busch Gardens.



*Before extraordinary item.



■ *Depreciation*

Dividends

Cash dividends of $26,109,000, or $.58 per share, were paid in 1972 compared with $23,784,000, or $.53 per share, last year. The common stock dividend was increased from $.56 to $.60 per share on an annual basis in December, 1972. In addition, an extra cash dividend of $.01 per share was paid to shareholders with their December dividend checks.

The Company has paid cash dividends in each of the past 40 years. In addition, the Company's stock has split five times in the past 40 years and stock dividends were paid in 1953, 1954 and 1966.

Working Capital

Working capital amounted to $84,730,000 at December 31, 1972, a decrease of $2,932,000 from the working capital in 1971 of $87,662,000. The working capital ratio was 2.0 to 1 at December 31, 1972, and 2.2 to 1 at December 31, 1971. Cash and marketable securities totaled $68,817,000 at December 31, 1972. A comparative statement of changes in financial position appears on page 21 of this report.

Capital Expenditures

Capital expenditures amounted to $84,217,000 in 1972 as opposed to $73,214,000 in 1971. In the past five years, capital expenditures have totaled $365,353,000. The major expenditures in 1972 were for the Williamsburg, Va., brewery, and the expansion of our breweries in Columbus, Ohio, and Jacksonville, Fla.

The graph on this page shows capital expenditures and depreciation expense for the past five years.

Taxes

Total taxes applicable to 1972 operations (not including the many

hidden taxes included in materials and services purchased) amounted to $382,759,000. Total taxes for the last five years are shown in the graph on page 10.

Shareholders

At the close of the year, shareholders numbered 29,446 compared with 27,539 at the end of 1971.

	Holders Of Record	Shares Held
Men	7,789	5,604,250
Women	7,367	6,146,610
Joint names	8,773	2,254,256
Fiduciaries	3,562	7,835,497
Institutions, foundations, brokers, nominees and others	1,955	23,219,508
Total	29,446	45,060,121

Employee Benefits

At December 31, 1972, employment was 11,589. Salaries and wages to officers and employees amounted to $163,929,000. Pension, life insurance and welfare benefits aggregated $20,095,000; payroll taxes totaled $6,493,000.

st. louis—Grant's Farm in St. Louis County is a free sales promotion facility that has been available to the public since the early 1950's. The basic concepts originated at Grant's Farm by August A. Busch, Jr., are the foundation of the family entertainment facilities at Busch Gardens—Tampa and Busch Gardens—Los Angeles. Another sales promotion facility is located at the Houston plant. Busch Clydesdale Hamlet is under construction at Merrimack, New Hampshire.

. . . the different worlds of busch gardens

Last year more than three million people heard that friendly greeting as they entered one of the "Worlds of Difference" at the Company's Tampa and Los Angeles Gardens.

Difference is a key word in the Busch Gardens philosophy, and our Gardens are unique in the rapidly growing family entertainment industry: a pleasing balance of active participation and leisure attitudes in a beautiful, quality setting. In this philosophy, each Garden differs not only from the standard amusement park or zoo, but they also differ from each other.

For instance, the original Busch Gardens opened at Tampa in 1959. Africa is its theme. Here visitors not only see rare wild animals; they also experience a close contact with them in the exciting African Veldt. The most recent expansion program will provide, this year, an exciting log flume ride, an African Bazaar featuring hand-crafted goods and candles, a boat ride on the Stanleyville Lake, and an expanded live entertainment program.

The second Gardens, in Los Angeles, opened in 1966. Here you will find an exquisite environment of rocks, birds, trees, and cascading water and the now famous Busch Gardens Bird Circus, plus newly added attractions such as the Ya-Hoo Flume Ride, Festival of Magic, and the world's only Seal, Penguin and Otter Show.

The basis of the Gardens operations is the facility at Grant's Farm in St. Louis County. Since the early 1950's, people from every state in the Union and many foreign countries have enjoyed its animals and scenery.

The family entertainment facilities are designed around the fact that American families have more leisure time each year to enjoy new experiences as a family unit. Vacations involving weeks away from home or just a weekend in the country are a part of the nation's way of life. The "get away from it all and relax" idea has had great acceptance and has created a demand for a wide variety of recreational opportunities.

To capitalize on this opportunity Anheuser-Busch created a separate division to provide full-time management for the Company's expanded operations at the Busch Gardens. Funds from admission charges are used for continual improvement and expansion of the existing Gardens as well as for future planning.

Another aspect of the Gardens philosophy is an ecological commitment to endangered species of animal and bird life. Under the guidance of trained biologists, every effort is made to provide an atmosphere conducive to the increase of these rare species.

tampa—Opened in 1959, this facility features a variety of live African animals and rare birds. Expanded frequently, the current program includes an exciting log flume ride, a boat ride, and more live entertainment. A joy to camera fans, the Gardens provide a pleasant mixture of action and relaxation appealing to the entire family.

los angeles—Opened in 1966, this complex consists of an exquisite environment of rocks, birds, trees and cascading water. Boats to ride in and others to drive, along with live music, a log flume ride and the only Seal, Penguin and Otter Show in the world, make it a popular West Coast family attraction.

summary of accounting principles and policies

This summary of accounting principles and policies of Anheuser-Busch, Inc., and its consolidated subsidiaries is presented to assist in evaluating the Company's financial statements included in this report. These principles and policies conform to generally accepted accounting principles and have been consistently followed by the Company in all material respects.

Principles of Consolidation

The consolidated financial statements include the Company and all its subsidiaries. St. Louis National Baseball Club, Inc., and certain other subsidiaries which are not an integral part of the Company's operations are included on an equity basis.

Sales and Accounts Receivable

Sales and income are recognized at the time the product is shipped and accounts receivable are recorded at that time.

Inventories and Production Costs

Inventories are valued at the lower of cost or market. Cost of raw materials and supplies is determined under the last-in, first-out and average cost methods. Cost of work in process and finished goods is based principally on standard costs, which approximate actual manufacturing and raw material cost, adjusted for last-in, first-out valuation of certain raw materials. Approximately one-half of total inventories (principally brewing raw materials) are valued under the last-in, first-out method.

Plant and Equipment

Plant and equipment is carried at cost and includes expenditures for new facilities and those which substantially increase the useful lives of existing plant and equipment. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss on disposition is credited or charged to income.

The Company provides for depreciation of plant and equipment on methods and at rates designed to amortize the cost of such equipment over its useful life. Depreciation is computed principally on the sum-of-the-years-digits method for property acquired after December 31, 1953, and on the straight-line method for property acquired prior to that date.

A portion of the land held by the Company is for investment purposes and is not an integral part of the Company's primary operations. This land has been classified in the balance sheet as investment properties.

Income Taxes

The provision for income taxes is based on elements of income and expense as reported in the Statement of Income. The Company has elected to utilize certain provisions of federal income tax laws and regulations to reduce current taxes payable, the primary item being the calculation of depreciation for tax purposes on the basis of shorter lives permitted by the Treasury Department. The resulting tax benefit has been deferred and will be recognized in the provision for income taxes at such time as depreciation reported in the Statement of Income exceeds that taken for income tax purposes.

The Company follows the practice of adding the investment tax credit

independent accountants report

to income over the productive lives of the assets generating such credit, rather than in the year in which the assets are placed in service. Accordingly, benefits realized from the investment tax credit have been deferred and will be recognized as reductions in the provisions for income taxes in the appropriate years.

Expenditures Which Provide Possible Future Benefits

Plant start-up, research and development, advertising and promotional costs are charged against earnings in the year in which such costs are incurred, since it is not practicable to determine the amount of, or duration of, future benefit.

Net Income Per Share of Common Stock

Net income per share of common stock is based on the average number of shares of common stock outstanding during the respective years, adjusted for stock splits and stock dividends. Shares issuable upon the exercise of stock options are excluded from the average number of shares for the computation of net income per share since their effect is not significant.

To the Shareholders
and Board of Directors of
Anheuser-Busch, Incorporated:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Anheuser-Busch, Incorporated and its subsidiaries at December 31, 1972 and 1971, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

St. Louis, Missouri
February 8, 1973

consolidated balance sheet

ASSETS	**December 31, 1972**	December 31, 1971
Current Assets:		
Cash (including certificates of deposit of $28,116,000 in 1972 and $30,669,000 in 1971)	**$ 41,369,000**	$ 41,466,000
Marketable securities (short-term), at cost which approximates market	**27,448,000**	27,434,000
Accounts and notes receivable, less allowance for doubtful accounts of $845,000 in 1972 and $850,000 in 1971	**38,098,000**	33,717,000
Inventories, at lower of cost or market (Note 2)—		
Finished goods	**5,218,000**	5,868,000
Work in process	**16,878,000**	16,110,000
Raw materials and supplies	**36,966,000**	38,065,000
Total current assets	**165,977,000**	162,660,000
Investments and Other Assets:		
Investments in and advances to unconsolidated subsidiaries (Note 1)—		
St. Louis National Baseball Club, Inc.	**5,662,000**	6,264,000
Other	**15,489,000**	11,028,000
Investment properties	**8,639,000**	11,153,000
Deferred charges and other non-current assets	**10,722,000**	9,170,000
	40,512,000	37,615,000
Plant and Equipment, at cost:		
Land	**19,649,000**	16,334,000
Buildings	**285,068,000**	265,366,000
Machinery and equipment	**432,486,000**	402,751,000
Construction in progress	**65,591,000**	45,207,000
Other real estate	**2,571,000**	2,270,000
	805,365,000	731,928,000
Less accumulated depreciation	**313,694,000**	278,281,000
	491,671,000	453,647,000
	$698,160,000	$653,922,000

LIABILITIES and SHAREHOLDERS EQUITY	December 31, 1972	December 31, 1971
Current Liabilities:		
Accounts payable	**$ 33,975,000**	$ 29,144,000
Accrued salaries and wages	**8,903,000**	7,926,000
Accrued taxes, other than income taxes	**24,712,000**	23,579,000
Estimated federal and state income taxes	**7,034,000**	9,360,000
Other current liabilities	**6,623,000**	4,989,000
Total current liabilities	**81,247,000**	74,998,000
Long-Term Debt:		
4¾% notes payable maturing 1974 and 1975	**416,000**	1,004,000
3⅜% debentures maturing 1974 to 1977, less $4,422,000 in treasury in 1972 and $3,497,000 in 1971	**1,523,000**	3,938,000
4½% debentures maturing 1974 to 1989, less $8,610,000 in treasury in 1972 and $5,281,000 in 1971	**21,890,000**	27,119,000
5.45% debentures maturing 1974 to 1991, less $7,700,000 in treasury in 1972 and $5,540,000 in 1971	**30,700,000**	35,060,000
6% debentures maturing 1975 to 1992, less $5,422,000 in treasury in 1972 and $550,000 in 1971	**44,578,000**	49,450,000
	99,107,000	116,571,000
Accumulated Deferred Income Taxes	**41,456,000**	34,103,000
Accumulated Deferred Investment Tax Credit Being Amortized	**14,370,000**	14,276,000
Shareholders Equity (Notes 3 and 4):		
Common stock, $1 par value, authorized 60,000,000 shares; issued 45,600,509 shares	**45,601,000**	45,516,000
Capital in excess of par value (principally arising from stock dividends)	**57,700,000**	55,977,000
Retained earnings	**361,891,000**	315,693,000
	465,192,000	417,186,000
Less cost of 540,388 shares of treasury stock	**3,212,000**	3,212,000
	461,980,000	413,974,000
	$698,160,000	$653,922,000

The above statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 22 and 23 of this report.

consolidated statement of income and retained earnings

	1972	1971
Sales	**$1,273,093,000**	$1,173,476,000
Less federal and state beer taxes	**295,593,000**	271,023,000
	977,500,000	902,453,000
Costs and Expenses (Notes 5 and 6):		
Cost of products sold	**724,718,000**	658,886,000
Marketing, administrative and general expenses	**108,008,000**	108,087,000
	832,726,000	766,973,000
	144,774,000	135,480,000
Other Income and Expenses:		
Interest income	**3,299,000**	3,102,000
Interest expense	**(6,041,000)**	(6,597,000)
Net loss, St. Louis National Baseball Club, Inc.	**(292,000)**	(55,000)
Purchase discounts, other income and expenses, net	**5,147,000**	4,120,000
Income before Income Taxes and Extraordinary Item	**146,887,000**	136,050,000
Provision for Income Taxes (Note 8):		
Current	**62,305,000**	56,870,000
Deferred	**8,182,000**	7,542,000
	70,487,000	64,412,000
Income before Extraordinary Item	**76,400,000**	71,638,000
Extraordinary Item — Loss on discontinued Houston Busch Gardens operation, net of income tax benefit of $4,006,000 (Note 7)	**4,093,000**	—
Net Income	**72,307,000**	71,638,000
Retained Earnings at Beginning of Year	**315,693,000**	267,839,000
	388,000,000	339,477,000
Cash Dividends, $.58 per share in 1972 and $.53 per share in 1971	**26,109,000**	23,784,000
Retained Earnings at End of Year	**$ 361,891,000**	$ 315,693,000
Income Per Share of Common Stock:		
Income before extraordinary item	**$1.70**	$1.60
Extraordinary item	**.09**	—
Net income	**$1.61**	$1.60

The above statement should be read in conjunction with the Notes to Consolidated Financial Statements appearing on pages 22 and 23 of this report.

consolidated statement of changes in financial position

	1972	1971
Financial resources were provided by:		
Operations —		
Income before extraordinary item	**$ 76,400,000**	$ 71,638,000
Charges to income not involving working capital —		
Depreciation	**38,970,000**	34,948,000
Deferred income taxes	**7,353,000**	6,829,000
Deferred investment tax credit	**94,000**	713,000
Other, net	**691,000**	804,000
Working capital provided by operations	**123,508,000**	114,932,000
Working capital provided by extraordinary item — Tax benefit of $4,006,000 less estimated expenses of $1,112,000	**2,894,000**	—
Sale of common stock under stock option plans	**1,808,000**	3,763,000
Fair market value of common stock issued in exchange for real estate	—	3,881,000
	128,210,000	122,576,000
Financial resources were used for:		
Capital expenditures	**84,217,000**	73,214,000
Investment properties	**146,000**	2,208,000
Cash dividends paid	**26,109,000**	23,784,000
Reduction in long-term debt	**17,464,000**	11,509,000
Increased investment in unconsolidated subsidiaries, excluding transfers of land in the amounts of $2,640,000 and $1,689,000, respectively	**1,218,000**	4,536,000
Other, net	**1,988,000**	93,000
	131,142,000	115,344,000
Increase (decrease) in working capital	**$ (2,932,000)**	$ 7,232,000

ANALYSIS OF CHANGES IN WORKING CAPITAL

	1972	1971
Increase (decrease) in current assets:		
Cash	**$ (97,000)**	$ 5,803,000
Marketable securities	**14,000**	2,333,000
Accounts and notes receivable	**4,381,000**	2,021,000
Inventories	**(981,000)**	(5,953,000)
	3,317,000	4,204,000
Decrease (increase) in current liabilities:		
Accounts payable	**(4,831,000)**	3,863,000
Accrued salaries and wages	**(977,000)**	(951,000)
Accrued taxes, other than income taxes	**(1,133,000)**	(9,603,000)
Estimated federal and state income taxes	**2,326,000**	7,293,000
Other current liabilities	**(1,634,000)**	2,426,000
	(6,249,000)	3,028,000
Increase (decrease) in working capital	**$ (2,932,000)**	$ 7,232,000

notes to consolidated financial statements

NOTE 1: ACCOUNTING PRINCIPLES AND POLICIES

Certain information relative to accounting policies is presented on pages 16 and 17 of this report.

NOTE 2: INVENTORY VALUATION

Approximately 55% of total inventories at December 31, 1972 and 1971, are stated on the last-in, first-out inventory valuation method. Had the average cost method been used with respect to such items at December 31, 1972, and December 31, 1971, total inventories would have been $6,858,000 and $4,155,000 higher, respectively.

NOTE 3: CHANGES IN CAPITAL

On April 28, 1971, the shareholders increased the authorized common stock from 30,000,000 shares to 60,000,000 shares and approved a two-for-one split of the Company's common stock in the form of a stock dividend. Net income and dividends per share, as well as the following data relating to stock options, have been adjusted to reflect the stock split.

On May 14, 1971, the Company issued 78,000 shares of common stock in exchange for seven separate parcels of real estate in California. The most valuable parcel of real estate acquired was adjacent to the Los Angeles brewery.

Under a stock option plan adopted by the shareholders in 1967, 1,817,951 shares of common stock were reserved at December 31, 1972, for issuance to officers and key employees. Options granted under this plan expire in 1973, and the option price is 100% of fair market value of shares at date granted. At December 31, 1972, options covering 12,913 shares were outstanding and exercisable at $34.06 per share. During 1972 and 1971, options covering 84,125 shares and 174,776 shares, respectively, were exercised at prices ranging from $20.38 to $34.06 per share, and options covering 7,050 shares and 8,000 shares, respectively, were terminated. During 1971 the remaining options outstanding under the 1955 stock option plan, covering 12,260 shares, were exercised at a price of $6.17 per share.

An analysis of changes in common stock and capital in excess of par value for the two years ended December 31, 1972, follows:

	Common Stock		Capital in Excess of Par Value
	Shares	Amount	
Balance, December 31, 1970	22,625,674	$22,625,000	$71,224,000
2-for-1 stock split in form of a dividend .	22,625,674	22,626,000	(22,626,000)
Shares issued in real estate acquisition .	78,000	78,000	3,803,000
Stock options exercised - 1971 . . .	187,036	187,000	3,576,000
Balance, December 31, 1971	45,516,384	45,516,000	55,977,000
Stock options exercised - 1972 . . .	84,125	85,000	1,723,000
Balance, December 31, 1972	45,600,509	$45,601,000	$57,700,000

NOTE 4: RETAINED EARNINGS RESTRICTION

The indentures under which the Company's long-term debt is issued contain provisions which limit the amount of retained earnings available for cash dividends. Under the most restrictive of these provisions, retained earnings at December 31, 1972, were restricted to the extent of $57,272,000 against the payment of cash dividends.

NOTE 5: PENSION PLANS

The Company has several pension plans covering substantially all of its employees. The total pension expense was $12,116,000 in 1972 and $11,861,000 in 1971. Salaried employees are covered under a trusteed pension plan with unfunded prior service cost amounting to $5,869,000 at December 31, 1972. Pension plans have been adopted for hourly paid employees under agreements with the unions representing such employees. Obligations for contributions under these plans are based on a defined contribution per employee in accordance with the various labor agreements. The Company follows the policy of funding all pension costs accrued.

NOTE 6: DEPRECIATION

The provision for depreciation amounted to $38,970,000 in 1972 and $34,948,000 in 1971.

NOTE 7: EXTRAORDINARY ITEM

In December, 1972, the Company announced its decision to convert a portion of the Houston Busch Gardens to a sales promotion facility and to discontinue operation of the remainder of the Gardens facilities. The estimated cost of $4,093,000 (after reduction for income tax benefits of $4,006,000) includes the net book value of assets to be disposed of, plus provision for demolition costs and severance pay, less estimated salvage value.

NOTE 8: INCOME TAXES

The provision for income taxes on income before income taxes and extraordinary item for the years ended December 31, 1972 and 1971, includes the following:

	1972	1971
Current tax provision:		
Federal income taxes	$57,547,000	$53,289,000
Other income taxes	4,758,000	3,581,000
	62,305,000	56,870,000
Deferred tax provision:		
Investment tax credit -		
Reduction in current taxes payable	1,869,000	2,377,000
Less amortization of deferred investment tax credit	(1,775,000)	(1,664,000)
Charge equivalent to reduction in taxes due to investment tax credit	94,000	713,000
Deferred income taxes, primarily from the calculation of depreciation for tax purposes on the basis of guideline and class life rates permitted by the Treasury Department	8,088,000	6,829,000
	8,182,000	7,542,000
	$70,487,000	$64,412,000

The $70,487,000 provision for income taxes in 1972 is before giving effect to the income tax reduction of $4,006,000 ($3,271,000 current; $735,000 deferred) resulting from the loss on the discontinued Houston Busch Gardens operation.

The Internal Revenue Service has examined and substantially cleared federal income tax returns of the Company for years through 1969.

NOTE 9: COMMITMENTS AND CONTINGENCIES

In connection with the plant expansion and improvement program, the Company has commitments for capital expenditures totaling about $75,000,000 at December 31, 1972.

Under an agreement with Lianco Container Corporation the Company is obligated as a guarantor, to the extent of 60%, for the payment of principal and interest on bank loans incurred by Lianco amounting to $2,500,000 at December 31, 1972.

In May, 1968, Beverage Distributors, Inc. (a former wholesaler of the Company whose relationship as a wholesaler had previously been terminated by the Company), filed suit against the Company alleging violations by the Company of the federal antitrust laws and seeking permanent injunctive relief, treble damages which, at this time, are unspecified as to amount, costs and reasonable attorneys' fees. The case is still to be tried on the merits.

In July of 1971, Pearl Brewing Company and 7 of its distributors filed suit against the Company and Jos. Schlitz Brewing Company alleging violations by the Company of the federal antitrust laws and seeking temporary and permanent injunctive relief, treble damages which, at this time, are unspecified as to amount, costs and reasonable attorneys' fees. On February 9, 1972, the U. S. District Court denied the plaintiffs' requests for a preliminary injunction and for a summary judgment. The case is still to be tried on the merits.

In April, 1972, Rheingold Breweries, Inc., filed suit against the Company and 7 of its metropolitan New York wholesalers alleging violations of the federal antitrust laws and seeking permanent injunctive relief, treble damages which, at this time, are unspecified as to amount, costs and reasonable attorneys' fees. The case is still to be tried on the merits.

In June, 1972, Southtown Liquor, Inc., and Country Village Liquor, Inc., filed a civil class action suit against the Company alleging violations by the Company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages which, at this time, are unspecified as to amount, costs, reasonable attorneys' fees and the denial of the Company's right to continue to do business in the State of Minnesota. The case is still to be tried on the merits.

In July, 1972, the Village of Eden Valley, Minnesota, filed a civil class action suit against the Company alleging violations by the Company of the federal antitrust laws and certain Minnesota laws, and seeking permanent injunctive relief, treble damages which, at this time, are unspecified as to amount, costs, reasonable attorneys' fees and the denial of the Company's right to continue to do business in the State of Minnesota. The case is still to be tried on the merits.

In October, 1972, Grain Belt Breweries, Inc., filed suit against the Company, Jos. Schlitz Brewing Company, one of the Company's wholesalers and two Jos. Schlitz wholesalers alleging violations by the defendants of the federal antitrust laws and seeking temporary and permanent injunctive relief, treble damages which, at this time, are unspecified as to amount, costs and reasonable attorneys' fees. The case is still to be tried on the merits.

The Company denies the charges in all of the foregoing cases and is engaged in defending against them. The Company was defendant in certain other lawsuits on December 31, 1972, the ultimate outcome of which cannot be determined at this time. In the opinion of management, the Company's liability, if any, under any pending litigation would not materially affect its financial condition.

ten year financial summary

(In Thousands)

Per share statistics have been adjusted to give effect to the two-for-one stock split and 10% stock dividend in 1965 and the two-for-one stock splits in 1968 and 1971.

	1972	1971
SALES AND EARNINGS		
Barrels sold	**26,522**	24,309
Net sales	**$977,500**	$902,453
Depreciation	**38,970**	34,948
Direct payroll	**163,929**	151,499
Income before income taxes	**146,887**	136,050
Income (before extraordinary item in 1972)	**76,400**	71,638
Per share	**1.70**	1.60
DIVIDENDS		
Total cash dividends	**26,109**	23,784
Cash dividends per share	**.58**	.53
BALANCE SHEET INFORMATION		
Working capital	**84,730**	87,662
Plant and equipment, net	**491,671**	453,647
Capital expenditures	**84,217**	73,214
Long-term debt	**99,107**	116,571
Deferred income taxes	**41,456**	34,103
Deferred investment tax credit	**14,370**	14,276
Shareholders equity	**461,980**	413,974

1970	1969	1968	1967	1966	1965	1964	1963
22,202	18,712	18,393	15,535	13,575	11,841	10,370	9,397
$792,777	$666,609	$652,707	$554,880	$485,063	$427,698	$380,711	$347,414
33,795	30,063	27,578	23,524	18,955	16,102	14,805	13,461
135,997	116,577	116,516	106,260	93,895	85,809	78,326	74,725
120,776	92,938	92,661	67,150	63,487	51,158	40,523	32,872
62,549	45,311	44,634	36,195	33,627	26,732	20,342	15,987
1.40	1.01	1.00	.82	.76	.61	.46	.36
18,991	17,843	16,117	13,146	10,806	9,491	8,050	7,851
.425	.40	.36	.30	.25	.22	.18	.18
80,430	76,950	89,829	104,252	85,989	81,926	95,436	54,757
416,660	387,422	351,537	306,476	244,883	174,902	144,368	133,544
65,069	66,396	76,457	85,415	89,671	47,953	25,731	15,476
128,080	134,925	142,720	147,898	99,293	53,497	55,760	18,049
27,274	23,212	18,149	14,191	9,149	6,604	3,575	50
13,563	12,577	10,790	8,823	4,356	2,447	2,026	1,540
358,476	314,121	285,318	255,359	231,438	207,376	191,363	179,246

The City of St. Louis entry in the Tournament of Roses Parade, entitled "Stagecoach" and sponsored by Anheuser-Busch, Inc., paid tribute to a film about the American West and won the Grand Marshal's Trophy. The float was drawn by the Company's famous Clydesdale hitch. Grand Marshal of this year's parade was actor John Wayne who played the starring role in the movie "Stagecoach."

The "Snow Mountain," a 36-foot long fantasy of winter sports, delighted millions of television viewers who watched the annual Macy's Thanksgiving Day Parade in New York City. The famed Anheuser-Busch Clydesdales were making their sixth annual appearance in the traditional extravaganza.

Anheuser-Busch again had an entry in the Orange Bowl Parade in Miami which carried the Busch Gardens — Tampa banner. An animated carrousel and ferris wheel joined with pretty girls and animal figures to provide a glimpse of what can be seen at the Company's Florida family entertainment facility. The float also appeared in the Gasparilla Parade in Tampa on February 12, 1973.